ECONOMICS

- **Came from Greek word *OIKOS* (household) *NEMEIN (management)***
- **Allocate scarce resources in order to satisfy unlimited human needs and wants.**
- **Father of Economics Adam Smith**

2 parts of economics

1. **MICROECONOMICS**
   - **Come from the Greek word *MIKROS* which means *small.***
   - **Studies individual units like consumer , companies etc.**
2. **MACROECONOMICS**
   - **Come from the Greek word *MAKROS* which means *large.***
   - **Takes a wider view and looks at the regional , national or even global.**

- **It tries to understand how people behave and interact within a society – is ECONOMICS AS SOCIAL SCIENCE**
- **The existing scientific knowledge to develop more practical applications like technologies and inventions – is ECONOMIC AS APPLIED SCIENCE**
- **A condition of why people study and practice economics we have to decide and choose – is SCARCITY**
- **Cannot spend money twice – is CONSUMERS**
- **Cannot use resources again, once they are used up – is PRODUCTS**

RESULT OF SCARCITY

1. **TRADE OFF – . The exchange or choosing between alternative.**
2. **OPPORTUNITY COST- .Represent the benefits that could have been gained by taking different decisions.**

POSITIVE ECONOMICS – .*based on facts*

NORMATIVE ECONOMICS – .*based on judgements*

FACTORS OF PRODUCTION/INCOME

1. **LAND. all natural resources , *in return for* RENT**
2. **CAPITAL .aids, tools, machines, and equipment, *in return for* INTEREST**
3. **LABOR .physical or mental talents of individual ,*in return for* WAGE**

4. **ENTREPRENEURSHIP. ability to organize the resources *in, return for* PROFIT**

BASIC ECONOMIC PROBLEMS OF THE COUNTRY

1. **WHAT TO PRODUCE .– the society must decide on what type and quantity of good or services to be produced .**
2. **HOW TO PRODUCE .– a question on the production method.**
3. **FOR WHOM TO PRODUCE .– beneficiary of the goods.**

a tool to solve economic problems –is ECONOMIC

the process by which resources transferred into useful form –is PRODUCTION

things provided by nature is – RESOURCES

Total quantity customers are willing and able to purchase –is DEMAND

Something unnecessary but desired is – Wants

Something necessary in life – Needs

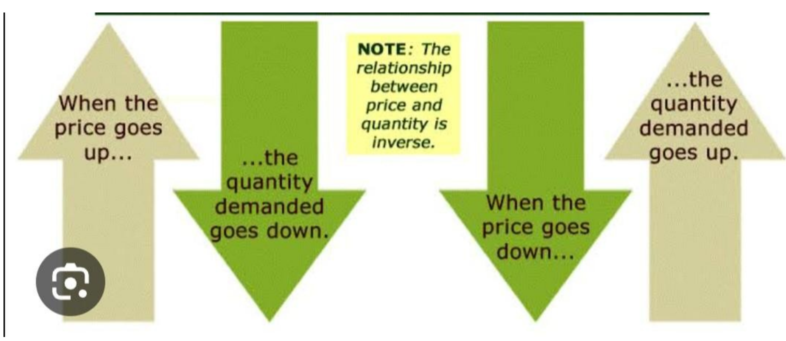
What a buyer pays for a specific good or service –is PRICE

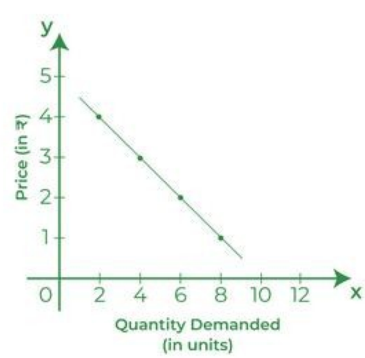
The total number of units purchased –is QUANTITY DEMAND

A table shows quantity demanded at each price – is DEMAND SCHEDULE

Shows relationship between price and quantity demanded –is DEMAND CURVE

As the price rises, the quantity demanded decreases , and vice versa (inversely proportional) – is LAW OF DEMAND

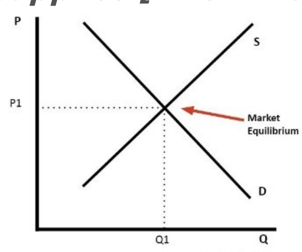




1. **Amount of some good or service – is SUPPLY**

The higher the price leads to a higher quantity (Directly Proportional)–is LAW OF SUPPLY

2. **A point where supply curve and demand curve cross –is EQUILIBRIUM (also called MARKET CLEARING PRICE**
   a. **SURPLUS –.** ***more supplies [when the quantity supplied of a***



   good, service, or resource is greater than the quantity demanded]

   b. **SHORTAGE –.** ***less supplies [when the quantity demanded of a good, service, or resource is greater than the quantity supplied]***

- **If good is in shortage – price will tend to rise**
- **If a good is in surplus – price will tend to fall**

ELASTICITY DEMAND *formula*

1. $$\% \Delta Q_d = \frac{Q2 - Q1}{\frac{Q1 + Q2}{2}} \times 100$$

2. $$\% \Delta P = \frac{P2 - P1}{P1 + P2} \times 100$$

2

3. $\epsilon d = \frac{\% \Delta QD}{\% \Delta P}$

TYPES OF ELASTICITY

Elastic - > 1 (greater than)

In elastic - < 1 (less than)

Unitary = 1

Perfectly Elastic - = ∞

Perfectly Inelastic= 0

ELASTICITY SUPPLY *formula*

PES = QS 2 – QS 1

QS 1

P2 – P1

P1

MARKET STRUCTURES AND ITS CHARACTERISTICS

PURE (perfect) COMPETITION – is a market structure that has many and small sellers and no one can affect the market.

-homogenous product is offered by the companies
-free entry to and and exit from industry
-no concept of consumer preference
-consumer can dictate the price

Monopoly

- a single seller and no competitors un the market

- no close substitutes

- entry or exit is difficult and blocked

- sole seller has the power to set the prices.

Monopolistic competition

-multiple giant firms produce similar and highly predictable products

-sellers offer close substitutes

-comparatively easier entry and exit

Oligopoly

-few large firms

-standardized or differentiated products or goods

-the firms set and control their prices.

•**Interest Rate –** is the amount a lender charges for the use of assets expressed as a percentage i

Of the principal.

•**Investment –** is an asset or item acquired with the goal of generating income or appreciation

•**Minimum Wage –** a wage fixed by contract or especially by laws as the least that may be paid either to employees generally or to a particular category of employees.

•**Rent –** refers to the use of property for a certain amount.

•**Tax-** is a compulsory financial charge or some other type of imposed upon a tax payer.

•**Wage-** is a monetary remuneration computed on an hourly daily weekly or by piece of basic an employer.

The effects of income in the purchasing power of consumers :

- **Engels Law :** It states that as family income increases, the percentage of income spent on food decreases
- **Normal Goods :** Are those goods whose demand increases with an increase in income
- **Inferior Goods :** Are those goods whose demand decreases with an increase in income
- **Veblen Good :** Is a good for which demand increases as the price increases
- **Luxury Good :** An increase in income causes a bigger percentage increase in demand

Comparative advantage is an economy’s ability to produce a particular good or service at a lower opportunity cost than its trading partners.

10 PRINCIPLES IN CREATING A BUSINESS :

1.SCALABILITY	A business which has a potential to grow.
2.BIG IDEAS	Greater opportunities, in creating your business. It plays a vital role adopting to abrupt changes ,planning and alligning
3.SYSTEMS	Recognizing small and big parts contributes success and failures to the business
4.SUSTAINABILITY	A business must be powerful able to harness all alcoholic conditions
5.GROWTH	All business need to be able growing especially in the internal aspect of business
6.VISION	What do you want your business to be in the future
7.PURPOSE	A business is the results of a big dream in mind of the person who dream for it.
8.AUTONOMY	A business if not part of the owner’s life, but in fact its own entity
9.PROFITABILITY	A business help economic entity managing economic reality, creating an economic certainty
10.STANDARD	A business creates

	standard against all business measured as either standard or not.

COMMON TOOLS AND TECHNIQUES

1.SWOT ANALYSIS – defined as

Strength

Weakness

Opportunities

Threats

2.PESTLE ANALYSIS

Political

Economic

Social

Technological

Legal

Environmental

3.VMOST ANALYSIS – also known as MOST analysis , is a framework and evaluation technique for strategic planning in organization .

Vision

Mission

Objectives

Strategy

Tactics

CLASSIFICATIONS OF INDUSTY

Primary	Working with or extraction of raw materials or natural resources e.g. mining activities.
Secondary	Making or converting raw materials into usable products through processing and

	manufacturing.
Tertiary	Service industries or providing essential services and support to allow other levels of industry to function.
Quaternary	Dramatic growth of this new sector .
Quinary	Control the industrial and government decision making

Agribusiness. a business that earns most of its revenue from agriculture.

List of Agribusinesses in the Philippines

HOG or Pig Raising	Swine raising and breeding of domestic pig as livestock
Poultry Farming	Raising of domesticated birds such as chickens, ducks, turkeys, and geese to produce meat or eggs for food
Cattle Farming	Raising of cattle for milk , beef and hides
Goat Raising	Raising for milk and meat
Rice Farming	Planting for rice production
Vegetables Farming	Planting for veggies
Fish Pens	Raising a fish in a pens such as catfish, oysters, prawn etc.
Corn Farming	Planting corn for consumption

MANUFACTURING , is the process of converting raw materials, components into finished goods.

Small Manufacturing Businesses:

1. **Furniture Making .** Creating furniture such as lockers, book shelves, show case , chairs and tables.
2. **Drinking Water Business .** business that sell drinking water package in plastic bottles or containers.
3. **Soap Manufacturing Business .** business that produce different soap products.
4. **Commercial Bread Making .** simple business that can be done at home.

Types of Retail Products:

1. **Food Products .** Typically require cold storage facilities.
2. **Hard Goods or Durable Goods .** Goods that do not quickly wear out and provide utility.
3. **Soft Goods or Consumable .** Goods that are consumed after one use or have limited period.
4. **Arts .** Contemporary art galleries, bookstores or handicrafts.

International Trade . is the exchange of capital, goods and across international borders.

- **Social Economic. -** A specialized branch of economics
- **Various socio economic factors**

  Political Factor – includes government policy, political stability or instability, corruption foreign trade policy, tax policy, funding grants and initiatives.

  Economic Factors – economic trends, growth rates , industry growth , seasonal factors , international exchange rates and etc.

  Social Factors – attitudes and beliefs about a range of factors including money, costumer services , religion, cultural taboos etc.

  Technological Factors – technology and communication infrastructure , legislation around technology, consumer access to technology.

Environmental Analysis - This is the special term that refers to the process of looking at the external socioeconomic issues in a business.

SOCIOECONOMIC FACTORS THAT MAY AFFECT BUSINESSES AND INDUSTRY:

INTEREST RATES – Are everywhere and are imposed by many different people.

EXCHANGE RATES – This is a slightly more nuanced topic than that of interest rates.

RECESSION – Whenever an economy faces a recession, it had the potential to changr the attitude by consumers